

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF KENTUCKY)	CASE NO. 95-445
UTILITIES COMPANY AS BILLED FROM)	
FEBRUARY 1, 1995 TO JULY 31, 1995)	

O R D E R

On July 19, 1994, the Commission approved Kentucky Utilities Company's ("KU") environmental surcharge application and established a surcharge mechanism.¹ Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). The Commission hereby initiates the six-month review of KU's environmental surcharge as billed from February 1, 1995 to July 31, 1995.²

In anticipation that those parties to KU's last six-month review will desire to participate in this proceeding, the Attorney

¹ Case No. 93-465, The Application of Kentucky Utilities Company to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated July 19, 1994.

² Since KU's surcharge is billed on a two-month lag, the amounts billed from February 1995 through July 1995 are based on costs incurred from December 1994 through May 1995.

General's Office ("AG"), Lexington-Fayette Urban County Government ("LFUCG"), and the Kentucky Industrial Utility Customers ("KIUC") will be deemed parties to this proceeding.

IT IS THEREFORE ORDERED that:

1. KU shall appear at the Commission's offices in Frankfort, Kentucky, at the date and time set forth in Appendix A, attached to this Order, to submit itself to examination on the application of its environmental surcharge as billed to consumers from February 1, 1995 through July 31, 1995.

2. KU shall give notice of the hearing in accordance with the provisions of 807 KAR 5:011, Section 8(5). At the time publication is requested, KU shall forward a duplicate of the notice and request to the Commission.

3. KU shall, within 14 days from the date of this Order, file the information requested in Appendix B, attached to this Order, along with any prepared testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the review period.

4. The procedural schedule set forth in Appendix A shall be followed by KU and other parties to this proceeding.

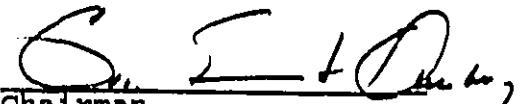
5. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to questions related to the information, with copies to all parties of record and an original and 10 copies to the Commission.

6. The AG, LFUCG, and KIUC be and they hereby are granted full intervention in this proceeding.


7. KU's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

Done at Frankfort, Kentucky, this 6th day of October, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-445 DATED OCTOBER 6, 1995

KU shall serve responses to the initial request for information no later than	10/20/95
All additional requests for information to KU shall be served no later than	10/27/95
KU shall serve responses to additional requests for information no later than	11/06/95
Intervenor testimony, if any, in verified prepared form shall be served no later than	11/13/95
All requests for information to Intervenor shall be served no later than	11/21/95
Intervenor shall serve responses to requests for information no later than	12/04/95
Last day for KU to publish notice of hearing date .	12/08/95
Public Hearing is to begin at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses of KU and Intervenor	12/15/95
Briefs shall be filed by	01/17/96

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-445 DATED OCTOBER 6, 1995

INITIAL INFORMATION REQUEST

1. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the July 19, 1994 Order in Case No. 93-465 for the billing period February 1995 through July 1995. The amounts reported on these forms should reflect the Commission's decisions announced in Case No. 95-060, KU's first six-month environmental surcharge review. Include any supporting workpapers, assumptions, or other documents as necessary.

2. For each month in the billing period February 1995 through July 1995, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported for Pollution Control Deferred Income Taxes and Pollution Control Deferred Investment Tax Credits.

3. Refer to ES Form 2.1, Plant, CWIP, and Depreciation Expense, for May 1995.

a. For each project listed, indicate the percentage of completion as of May 31, 1995.

b. For each project still in progress as of May 31, 1995, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide the expected completion date if different from information filed in the Case No. 93-465 application, Lucas Exhibit 1.

4. Explain the changes in the following expense levels:

a. Subaccount No. 50205, Scrubber Operation, reported for January 1995.

b. Subaccount No. 51208, CEMS and Precipitator Maintenance, reported for January, February, and May 1995.

c. Subaccount No. 51209, Scrubber Maintenance, reported for April 1995.

5. Provide the calculations used to determine the weighted average cost of KU's emission allowance inventory for each expense month of the review period. Include all supporting schedules, workpapers, and assumptions.

6. During the review period, KU has reported the utilization of 16,070 emission allowances. The entire amount has been deducted from the balance of allocated allowances from the Environmental Protection Agency ("EPA").

a. Explain how KU determined that it would only use allocated allowances from EPA rather than allowances from over-control or allowances from purchases.

b. Describe the process KU used to reach this decision. Identify the individuals and corresponding KU departments and divisions involved in the decision making process.

c. Describe how the use of emission allowances are recorded for income tax accounting purposes. What impact does tax accounting requirements have on the overall decision concerning which category of emission allowances are used?

7. a. Provide the regulatory book and income tax accounting entries made by KU to reflect the utilization of 2,622 emission allowances in May 1995.

b. Provide the regulatory book and income tax accounting entries KU would have made if the 2,622 emission allowances had been deducted from:

- (1) Allowances from over-control.
- (2) Allowances from purchases.